

# **UNITED STATES BUSINESS SMALL ADMINISTRATION**

**Roanoke, VA**

**April 7, 2005**

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**PROCEEDINGS**

[START TAPE 1 SIDE A]

**TOM:** ...year [unintelligible] evaluate that, uh, probably, uh, problems and concerns, which also led to approximately a one third reduction in, you know, the penalties and time [background noise]. That's why it's important for small businesses to, um, come and testify in, you know, regular issues and stuff.

**MR. BRUCE CLARK:** Thank you, Tom. Thank you, Peter, Ron. I'm Bruce Clark from the U.S. Department of Labor, Wage and Hour Division, Richmond, VA. My office enforces the minimum wage over time, child labor, uh, provisions, [unintelligible] as well as labor standards, including the government contracts that apply to this, um, the service contract [unintelligible]. We also enforce and believe that. I am in charge of a staff of about, uh, 13 investigators who handle most of the state of Virginia; northern Virginia is handled out of our Baltimore office. Just south of Roanoke, the far western Virginia counties are handled out of our West Virginia office. The way our division recognizes the important role small businesses play in our nation's economy, we understand the creation and sustaining of business brings many new responsibilities including compliance with federal employment laws. Peter had mentioned our efforts to update a 50 year old white collar overtime regulation, uh, and the final regs were published last August, August 23, 2004. The regulations for salaried employees were updated. Um, it's not a new reg; it was an improvement on an old reg. Uh, we encourage you to access comprehensive compliance assistance materials on the Wage and Hour Division homepage. Um, that's located at [www.wagehour.dol.gov](http://www.wagehour.dol.gov). Wagehour.dol.gov. Um, you can click on FairPay on that website, and it includes a seminar taught by experts from the Wage and Hour Division. Um, it also provides fact sheets, summarizing the major provisions of the new rule, and links to actual regulatory text, and the preamble to the text which gives you, um, a good background as to why the rule reads the way it does now as opposed to the way it used to or as opposed to the way some people would [background noise]. Um, the web page also allows you to submit questions directly to the Wage and Hour Division, sign up for updates on the new rules. If you have questions about wage and hour laws, I encourage you to visit our internet site, that's [www.dol.gov](http://www.dol.gov), and click on ESA, Employment Standards Administration, and then click on Wage and Hour. Um, there's also a DOL interactive internet advisor called ELAWS, standing for Employment Laws Assistance for Workers in Small Business, and we're here today to respond to your compliance systems leads. You can also call any office, the nearest office in the Wage and Hour Division. We'll be glad to give information, and try to answer questions over the phone, anonymously if you prefer. We do not

monitor who it is that's calling us up. Um, we may ask you some questions about your business in order to understand exactly what it is you do so we can apply the specific regulations to that, to that business, um, but we do not take names, and we do not initiate enforcement actions based upon any calls to our office, uh, unless they're from, maybe workers or employers who are complaining about a competitor. Um, I'll stay a few minutes after today's hearing, and will be glad to meet with anyone who's not able to write down our internet address or toll free number or has a question concerning about the Wage and Hour Division. Thank you.

**MR. PETER SORUM:** Thank you, Bruce. IRS is here.

**MS. KRISTA BISHOP:** Hi. I'm Krista Bishop. I'm an IRS liaison, uh, I, as of the Octagon [phonetic] liaison; it's part of the IRS Law, Business, and Self Employed Operating Division. Um, primarily, um, my role, my job is to work with, uh, state agencies and other federal agencies. Um, this is the first time that the [unintelligible] government liaison has been involved in this agreement hearing, so please be gentle. We, um, as I said, normally work with state and federal agencies. Um, I think, normally, the type [unintelligible] education, communication office which is also part of the small business, self employed [unintelligible] hearing. Um, I will, my role here is to take any, take, uh, comments, uh, any questions concerning the idea of bringing back to Washington [unintelligible]. Um, I will also be willing to talk to anybody after if you have specific, uh, issues that you don't want to focalize in public, and you want to talk to me after we're done, that will be fine as well. Um, are you Gene? No? I thought that somebody was going to be here from our office of taxpayers, the taxpayer advocate's office out of [inaudible], and I don't know if they'll, well, that's [unintelligible]. I won't give his background if he's isn't here, but, again, if you have specific questions that you don't want to vocalize in public because they deal with, you know, personal or, um, private issues, I'll be happy to help you.

**MR. PETER SORUM:** Other federal agency?

**MS. FAIZ AGARIB:** I'm Faiz Agarib from the USDA, FSIS, Beltsview District. That covers Maryland, Virginia, West Virginia, we have in Washington, DC. Um, enforcement includes investigation and [unintelligible]. Uh, we mainly, uh, respond to consumer complaints, be it either small or large businesses or [unintelligible] or we go to businesses, and evaluate their food, [unintelligible], and as concerned about, uh, small business, businesses, I'm here to listen and answer questions that I can, and any other issues [unintelligible] to our Beltsview District to our Washington DC Division. I think [inaudible].

**MR. PETER SORUM:** Thank you. Any other agency representatives? Okay, with that, then, we'll proceed to the people who expressed interest in testifying. Tom Capps, if you want to step up

here to the microphone.

**MR. TOM CAPPS:** First of all, I'd like to thank the board for the opportunity to speak. Uh, my name is Tom Capps. Um, my company, Capps Shoe Company manufactures footwear in a facility in Griffin, Virginia. In our facility, we produce all of our products. We [unintelligible] our products. We have approximately 130 employees. We make about 1,500 pairs of shoes a day. Um, our customers include the Department of Defense, the Army Air Force Exchanges, the National Park Service, and we also manufacture civilian shoes, and sell them our catalog which is distributed nationally. Um, our competition is primarily involved or concerns a uniform division, and one of the reasons that I am here is because of the current [unintelligible] votes on the designation of Pittsylvania county. Large companies, such as Wolverine, with thousands of employees have elected to invest, uh, significant amounts of money in, uh, areas such as Puerto Rico which still allows them to, um, manufacture military products, and it gives them significant economies that we do not possess. Of course, we could do the same thing if we wanted to; however, we've elected to keep all of our production in the state of Virginia for we feel like, uh, Virginia makes a very good product, the people of Virginia, and, uh, we made that decision.

The reason for my, uh, appeal is that Pittsylvania county, which is basically as large as the state of Rhode Island, has a urban designation because of the city of Danville. Um, the information, I've met with Mike Schewel who is the Secretary of Commerce in the state of Virginia, I've met with Virgil Goode, the congressman from the area, we've met with John Warner's office, and basically, Mr. Schewel has provided me with this information which states, basically, that the unemployment rate in Pittsylvania county is 140 percent as a state average, uh, Pittsylvania county would qualify fully as a county if it were considered non metropolitan. If it were a qualified county, every census tract in the county would automatically qualify, and because of the MSA designation, with Danville being an urban area, the rest of the entire county is disqualified, and the qualification of that MSA is based on fund designations, which would essentially exclude all of the county. Now, this designation has proven to be unfair in the past, in least as far as the Department of Highways is concerned. In the year 2000, a new description was, um, of boundaries, was presented and approved by the federal government for federal highway funding which changed this designation as far as funds go for the Department of Highways because under the current designation, they would have been kind of in the same boat we are trying to get HUB zone [unintelligible]. The HUB zone, and I have a copy of this, this was sent by the, uh, Pittsylvania county administrator to Virgil Goode's office, and which it's being reviewed mainly by Virgil Goode. Uh, the, um, the designation or the lack of the designation of a HUB zone in Pittsylvania

county, I think, is a significant detriment to the county. Both counties beside Pittsylvania county are designated hub zones. Uh, as a prudent businessman, especially one involved in federal contracts such as we are, would certainly decide not to go to Pittsylvania county if the counties that bordered Pittsylvania county were hub zones. It means a ten percent price advantage for companies such as ours against a large corporation such as Wolverine. We recently a lost major contract to Wolverine Shoe Company by 63 cents a pair, and we bid that contract basically under our cost. Uh, without some type of advantage against a large cooperation that can send their stuff offshore, and make components, we're going to have a tough time [inaudible], and we've invested, uh, 750,000 additional dollars this year, uh, with the warehouse in Pittsylvania county at our factory to reach that federal business, but I would most wholeheartedly urge you to correct this injustice, and, um, consider the different factors. I think that Pittsylvania county is an exception to the normal rule, and it's kind of falling through the cracks on the way to [unintelligible], so I would suggest and, and urge you to look at the designation, and try to come up with something that would be more fair for the balance of the county.

**MR. PETER SORUM:** Do you have a copy of that for me as well as a...

**MR. TOM CAPPS:** Yes, sir, I do.

**MR. PETER SORUM:** And you filled out a comment form?

**MR. TOM CAPPS:** Um, yes, I have.

**MR. PETER SORUM:** Okay, very good.

**MR. TOM CAPPS:** Thank you very much.

**MR. PETER SORUM:** Doña, are you on the line?

**MS. DOÑA STOREY:** Yes, this is Doña.

**MR. PETER SORUM:** Uh, please go ahead and introduce yourself, and then give us your testimony, please.

**MS. DOÑA STOREY:** All right. My name is Doña Storey. I'm the president and owner of Quality Technical Services, Incorporated. Uh, my current issue is when prime contractors win an IDIQ contract with a requirement for small businesses contracting plans, oftentimes, this plan will be submitted by the prime when bidding on the contract, but the prime will not award any work to the list of small businesses during the initial task order execution. The theory is awards will be made to the small businesses sometime during the contract; however, if no work assigned during the first task orders, there is a chance, there is a chance that no further work will be awarded to the prime, or, actually, to the small company, and a zero percentage of work would have been assigned to meet the required subcontracting plan. This routinely happens, and there is no enforcement for awarding work to the small

businesses, neither per task order, nor in any reasonable and equitable manner. The idea behind the FAR Sections 19.705-6 define post award responsibilities to the contracting officials. The standard form, 294 Form, which is FAR Section 53.301 requires dollar amounts for various types of subcontracts, but not specific subcontractor firms' names. The prime can swap out subs at will, and still meet the goals. The form can be modified to require primes to commit actual firms in the bid, or RSP response. Contracting officers would be reviewed or required to review this list quarterly to ensure compliance. Failure to do so would result in a liquidated damage as FAR Section 19.705-7.

My second issue goes to, I'll say, professional conduct. There are instances where government officials and representatives display, at best, less than professional conduct during performance of their duties, and when interacting with contractors. In many cases, these individuals use foul and abusive language, display what I will call absolute irrational behavior, and use intimidation tactics. There are instances where this behavior is observed and acknowledged by other government personnel, but nothing is done to correct the grossly unprofessional conduct. In addition, the irrational and unprofessional behavior displayed by some government representatives or officials is often a long standing pattern of behavior with no corrective action ever taken by the government leadership. There have also been specific instances in the past where standing up and confronting this type of abusive behavior has led to attempted retribution by the government official. This retribution has taken the form of false allegations, and even false entries of poor performance in the contractor evaluation system. [unintelligible] this attempted and unwarranted retribution has required lengthy and costly legal intervention on behalf of the contractor. In both sections, I'm sorry, Section 1-203 of the UCC or the Uniform Commercial Code of Section 205 of restatement second, contracts impose an obligation of, quote, good faith, end quote, in the performance and enforcement of the contract. Barred are any harassing demands for assurances of performance. The head of the contracting agency is sometimes biased as a source for reporting violation, and the GAO is a venue, but remote, to access, and a vehicle for confidential reporting to a neutral party is really needed. I'm prepared, I'm sorry, to answer any questions that may be asked.

**MR. PETER SORUM:** Well, the problem I had with your testimony...

**MS. DOÑA STOREY:** Yes?

**MR. PETER SORUM:** ...is the federal government is a big place, and saying government contracting officers are doing these things doesn't help me do my job in Washington because I don't know what you're talking about other than somebody, it could be a toilet paper contract, it could be a defense guidance missile. Uh, I need specifics, and I ask you for specifics on this so that we'd have

something to work with. I mean, just saying it's a pattern, just saying it's there, but you don't, we need to know locations, we need to know agencies, we need to know facts, not just, you know, this is what I'm going to say because this is what I feel. Can you do that?

**MS. DOÑA STOREY:** Well, you know what? I am sitting in my conference room, and so I don't know who is in the room, and I've testified before the board in the past. Let me tell you one of things that we have found. Well, it's essentially what I've said. The retribution is so great, I'm in the middle of something that I haven't even documented or talked about specifically in this testimony that goes right to headquarters office of one of these agencies. As a matter of fact, two of these go to headquarters office, and the problem is so great that we find the retribution is so easily hidden, that with me sitting here in my office, and you being there, um, I will give you agency, and I can give you really outrageous examples, but I'm hesitant to do it over a phone line, because I don't know who is else is in the room, and I'm really sorry. I hope I have not wasted your time, but I'll give you one example, if this helps, and this is with the Navy. We have, we have had a contract, the contract is closed out, where I fought, with legal help, for, it was a little more than two years, to have a performance record, I will say corrected, because it was so false based on retribution by a project manager who was so outrageous and irrational that at times I would have to send my people off of the site because of, I'm not talking foul language, when you're on construction site, you know, we're not a Pollyanna company, but when I have someone in unfound, just outrageous way calling my people, because they're having a bad day, sons of bitches, excuse me for saying this, sons of bitches, damned faggots, and I can even get worse than that, that's a little beyond what I think any contractor should have to, uh, suck up.

**MR. PETER SORUM:** Tell you what I'm going to do. Are you going to be in your office tomorrow?

**MS. DOÑA STOREY:** Um, I can be or I can give you a, I can forward a cell number where you can reach me.

**MR. PETER SORUM:** All right. Would you do that for me?

**MS. DOÑA STOREY:** Absolutely, absolutely. I will, uh, send that to my SBA representative.

**MR. PETER SORUM:** Okay.

**MS. DOÑA STOREY:** And I have more situations, and I'm not talking hearsay. I've been, I have gotten on the phone, gotten the call from my employees, where, for example, the young man who is not gay, and I don't care if he was, it makes no difference, I asked him to leave the site because I was afraid he was going to clean this man's clock, and I didn't want to have to deal with that.

**MR. PETER SORUM:** Well, like I said, I can't help you until I

know what you're talking about, so I understand your concern about not doing it over a conference call phone, so I will call you directly, and we'll see what we can do.

**MS. DOÑA STOREY:** Okay, I greatly appreciate it. Thank you very much.

**MR. PETER SORUM:** You're welcome. Thank you for taking the time. Okay, is Christopher Scott here?

**MR. CHRISTOPHER SCOTT:** Good afternoon. My name is Chris Scott, and I'm with TAP's micro loan program here in the Roanoke Valley, and I'd like to discuss a few broad subjects with you. I've contacted several of the micro borrowers that I work with under our program, and I've summarized some of the concerns that they've had facing a couple of key areas. Uh, generally, when, as you know, when micro businesses first start out, typically, they're bombarded with requirements from every direction. Um, and, still, many of the small businesses wade through the requirements and the pain in the business start up, and get through the process. Uh, but I'd estimate that there's a larger number of small businesses that don't make it through the process for the following reasons, and two of the areas of concern that most of them spoke to me about was the taxes and labor rules. Uh, a large number of small business owners stated to me that they understand really only a small portion of their tax requirements. Uh, most say that they blindly listen to their accountant for advice when it comes to requirements that they must comply with. Uh, they also state that as small business owners, they really need to have a better understanding of the tax regulations and requirements because they're sure that that no one better cares about their business than they do, and they really don't want to put the, uh, the decision and the control in the hands of their accountant even though they feel that the individual is competent. Um, some of the individuals had proposed to develop a small package, especially for micro entrepreneurs, that would be very streamlined for the business owners similar to the aspect of maybe a sole proprietorship's requirements, but with, uh, more, um, more ability to limit the liability, and I think that was one of the issues that many of them had stated is that if they are sole proprietors, yes, or an S corporation, yes, their taxes are, uh, simplified compared to corporations, so forth and so on, but they still feel that for the micro borrowers, the businesses with five individuals or less, it would be very helpful to have a package that's more streamlined, and is easier to complete [background noise], so that's, that's one of the issues they had.

The other issue that some of the micro borrowers had was regarding labor laws. Many of them have been to the DOL website, and realized that there's a very good weapon, and it has been updated to provide, uh, a laundry list of information for business owners that, that if they have the time and energy to go through each checklist, and make



sure that they're in compliance, but they, they feel even with this amount of information, it's still, uh, it's still a sea of paperwork to try to go through and determine if they have everything that they need. Some [background noise] they hire a human resource consultant or whatever it takes, maybe, but they find that it's pretty expensive, and they still feel that it would be, their solution is that it would be beneficial if there was a specialist, say a labor law specialist that they could actually visit in a community, and this may be cost prohibitive to have someone in various communities, but they feel like it would be nice to have someone that they could actually sit down, visit with, talk to, review the regulations, and in a very matter of fact, determine what it is that they, they need to be in compliance with. Um, there's also, they realize that for the individuals that aren't computer savvy, there is the 800 number, and some of the individuals that I have spoken to feel that they don't obtain the information that they would like to over the phone that they were hoping they could get. So, those are the two, the two main areas that I personally hear over and over again, and were recently [inaudible] I've heard from small businesses. Thank you.

**MR. PETER SORUM:** Well, we have representatives from Labor here, and the IRS. I don't know, are these issues that you would want to address, Tom?

**TOM:** I, I'll just make a comment, um, Scott. [unintelligible], you're in charge of the area office in Wadestown, right?

**MALE VOICE:** Right.

**TOM:** And I'm in charge of the compliance assist support unit in the Department of Labor in Washington. Give me a small business detail, we'll get help to them.

**MR. BRUCE CLARK:** I don't know where you're headquartered, but we do have an investigator here in Roanoke, and hopefully, the office is listed in the local phone book. If you have somebody that needs some assistance, have them give that person a call, and they'll be glad to set a time and date to meet them in the local office, and go over their books, or go over their, um, labor arrangements, and the [unintelligible] minimum wage, overtime, [unintelligible] record keeping. Can't advise them about, you know, labor laws, um, but we would be glad to advise them about the federal minimum wage overtime laws.

**MR. CHRISTOPHER SCOTT:** Yeah, these are actually issues that just [unintelligible] nothing. We generally will sit down and some of the other small business [unintelligible] organizations will sit down and share with them that, you know, there is these sites and phone numbers available, and as you said, in the phone book as well, but, uh, I don't know what reasons [unintelligible] that haven't been addressed completely, but these are some of the things that I can [inaudible]. But I will continue to [inaudible].

**MR. BRUCE CLARK:** And I'd be glad, if you can get a group...

**MALE VOICE:** That's what I was going to suggest.

**MR. BRUCE CLARK:** Yeah, I'd be glad to send somebody out there.

**MALE VOICE:** Absolutely, talk to them, absolutely.

**MR. BRUCE CLARK:** But if it's one on one, I prefer them to come to our office, and like I said before, we don't investigate based on employers who come in and learn how to do the right thing.

**MALE VOICE:** Bruce will tell you that he has enough [unintelligible] while picking up the phone and listening and caller ID to call someone back. You know, if they're out there, and they need the help, that's what we need to do in this call.

**MR. CHRISTOPHER SCOTT:** Thank you.

**MS. KRISTA BISHOP:** Yes, I'd like to make a comment. I, can, and I think the service would agree with, with the fear of putting blind faith in a tax professional or an accountant, and it is really important that any taxpayer take ownership, and have some understanding of their tax situation. Complexity of the tax laws are tough for us to address, really. It's not entirely within our venue. Um, when you talk about tax package, are you talking about a form? Is that what you meant by that?

**MR. CHRISTOPHER SCOTT:** No. This, that was just suggestions. I think the idea behind the tax package was really, um, just a streamlined process, and I realize that it's not as difficult for, uh, [unintelligible], you know, for the S corporation.

**MS. KRISTA BISHOP:** You're talking about setting up a business, providing for an employer identification number to have employees or...

**MR. CHRISTOPHER SCOTT:** Right, and it is, you know, and generally, being a business developer, I feel that, you know, it is my company [inaudible], but, uh, that's still [inaudible].

**MS. KRISTA BISHOP:** Okay, yeah, I also have some products out there that [inaudible] represent our attempts to bring it down to a manageable level. I think I, there may still be some CD-ROMS out there that, um, [unintelligible] business administration, um, and that is all about starting your business, and maybe it's just a matter of people don't know that that kind of assistance is out there.

**MR. CHRISTOPHER SCOTT:** I feel that maybe for a lot of small businesses, there's just that there's so much information you have to [inaudible], that I [unintelligible], not just for taxes [unintelligible] with, you know...

**MS. KRISTA BISHOP:** Usually, it's not just a federal tax requirement.

**MR. CHRISTOPHER SCOTT:** Right.

**MS. KRISTA BISHOP:** [crosstalk] sales tax on a state level.

**MR. CHRISTOPHER SCOTT:** Right, I think it's more, some of the complaints out there are more just the overall, uh...

**MS. KRISTA BISHOP:** The overall [inaudible].

**MR. CHRISTOPHER SCOTT:** Right.

**MS. KRISTA BISHOP:** You mentioned something, by assistance [unintelligible] something about the ability to limit their liabilities. Do you mean for taxpayer [unintelligible] directly or...

**MR. CHRISTOPHER SCOTT:** No, I was speaking more of the [unintelligible] issues.

**MS. KRISTA BISHOP:** Oh, okay. That's what I wanted to know [crosstalk] issues.

**MR. CHRISTOPHER SCOTT:** Right, being able to choose a type of [inaudible].

**MS. KRISTA BISHOP:** Single member LLP.

**MR. CHRISTOPHER SCOTT:** Right, [inaudible]. I think that that was one of the issues. Thank you.

**MR. PETER SORUM:** Thank you, Chris. I think the fourth, uh, witness is, uh, Jennifer. Front and center.

**MS. JENNIFER CUBITT:** First, I'd like to say, nice to meet you.

**MR. RONALD E BEW:** Good to meet you.

**MS. JENNIFER CUBITT:** Yeah, I gave Ron a call, and welcomed him to the Richmond District office, and so it's [unintelligible], and I'd first like to say, you know, like the good news, uh, you get the good news first, the bad news...having been an SBA lender for over ten years, I, uh, you know, I'm a very big proponent of the program, and I [background noise] with the agency [inaudible] job. Um, we are a general lender. The Bank of Floyd is a small community bank located in the Roanoke River Valley. We now have three, four, five, six branches, uh, so we are out kind of in a rural area, and we are the type of bank that actually gets down to the grass roots in working with small businesses, and, uh, this program does serve a very big need, and, uh, my experience not only with Richmond District office, but with the [unintelligible] of Kentucky, and now the SBA [unintelligible] have been very popular, so I would like to make that comment.

But, um, when I was talking with Abby and Lucy, um, and

thinking about maybe an area that you would have to improve, uh, with, uh, and I have had a couple of situations, and I'll mention them specifically. As an active SBA lender, and talking to other lending institutions, and one particular capital loan business [background noise], um, and trying to get the process, you know, expedited because particularly when you're trying to close on to a small business [unintelligible] it can particularly be time constraining, and the program does allow people that are lawful, um, permanent residents to, you know, uh, be a participant with the SBA program, and I think that there might be a little breakdown in the processing on trying to get the INS forms documented properly, uh, and, uh, you know, as bankers who fully understand, um, that, you know, in this day and time of the [unintelligible] Act, and, you know, the threat of terrorists undermining our systems, and [unintelligible] of the day, and, you know, we do that on [unintelligible] of our business. But, unfortunately, in some of the processes that I'm dealing with, uh, immigration department, it can slow closing the loan up sometimes up to ten weeks. So, this really does impact how, you know, having, you know, the financing and the funding, you know, if, you know, we're going to be dealing, particularly, when you're dealing in more minority communities where we might be dealing with the folks that, uh, you know, are lawful, as they say, now lawful permanent residents with a green card.

So, um, you know, and I spoke with Susan [unintelligible] at capital loans, they get, she said, now thousands of requests that do require this INS verification, and she approached me last year at the winter conference in Charlottesville, and she said, are you having any problems? I said, well, you know, I've had a couple incidents. One, um, was when I was another financial in Richmond, and we had a business acquisition, and the gentleman was from Scotland, and we needed to get down to the verification, and that office was in Norfolk, and, uh, you know, I had to physically go down to the INS office, and get everything verified for me at that point, because we had to drop [unintelligible] closing [unintelligible] before [unintelligible] the transaction would have been null and void. Uh, and the recently I had a guarantor with the Bank of Floyd who found out, you know, that was, you know, a lawful permanent resident, so, um, and this is a secure transaction, uh, you know, the form [unintelligible] I did have a little experience with it, but it came back because, you know, it was the paperwork I had left off, you know, permission forms, so I guess what I would like to suggest is perhaps from the SBA office which [inaudible] is that maybe there has been a low [unintelligible] of training. That [unintelligible] some of the problem, and also maybe some streamlining the process, you know, through the INS carding out that these are for, you know, SBA loans, that [unintelligible] is just [unintelligible] verification in general. And Susan might be as good a resource to call her, because her examples probably, or not probably, are much, you know, are numerous as compared to mine. Um, but, uh, you know, in

dealing with the SBA program it's been my experience, and even at the general lender when you're not, you know, when you do have to submit the packages to Richmond or you go through a little more of an approval process, not having really a problem or any, um, you know negativity, negative comments to make. Um, the only experience that I've had in maybe expediting through some of these loans is when you do, you know, when we're going, when we're dealing with another government agency.

**MR. RONALD E BEW:** It's the length of time getting the INS verification.

**MS. JENNIFER CUBITT:** It's the length of time, and I think some of it, and I don't want to put all the ends on them, it could be training for the banks that, you know, uh, that particularly smaller banks that don't do as many, you know, more that they understand how the paperwork process goes, [unintelligible] was expedited. Uh, you know, and, then, uh, with, say, the capital loans that have, uh, you know, thousands a year, [unintelligible], you know, and she will probably be a good resource to have the suggestions on how to make that process. But, um, I, uh, am, uh, glad that you're in the Richmond office, and I look forward to working with you, and [unintelligible] be a lender out in southwest Virginia.

**MR. RONALD E BEW:** Good. We want to spend more time out there.

**MS. JENNIFER CUBITT:** So, thanks for having me today.

**MR. PETER SORUM:** Thank you.

**MR. RONALD E BEW:** Thank you very much. Is there anything you want to, do you want to address anything about the, is there anything we can do, uh, in interaction with the INS on the time?

**MR. PETER SORUM:** I can find out.

**MR. RONALD E BEW:** I know that's a major complaint about the time of verification of this.

**MS. JENNIFER CUBITT:** Another Susan [unintelligible] that they stopped directing this to the Norfolk office, and they're going to Dallas. It seems like Dallas is a little bit, has a little more, um, response, better response time, and whether it's within that office particularly, um, itself, you know, we had one occasion, and my borrower went down physically, worked with them, and I had an interaction with somebody there, and there for a couple [unintelligible], uh, I sent the last two to the Dallas office. I thought that it might be a little bit faster.

**MR. PETER SORUM:** And was it?

**MS. JENNIFER CUBITT:** I thought it was acceptable, and I did it get back because it was my fault. It was something that I, and

perhaps maybe there could be, you know, a general training session on this, because I think it's going to come up more often, particularly in the areas where you're going to have more [unintelligible] direction.

**MR. PETER SORUM:** Mm, hmm. Okay. Do we have a comment form from you?

**MS. JENNIFER CUBITT:** Yeah.

**MR. PETER SORUM:** Okay, great. We'll see what we can do.

**MS. JENNIFER CUBITT:** Okay, thank you.

**MR. PETER SORUM:** Thank you. The last is Kathryn. Okay, Kathryn Aranda.

**MS. KATHRYN ARANDA:** Thank you. My name is Kathryn Aranda from the Waynesboro Downtown Development. I'm here on the enforcement issue [inaudible] the enforcement is applied to larger institutions with a consequence that I believe is somewhat damaging to small businesses, particularly small business in small communities, and that is the Community Reinvestment Act. Do you have my testimony in writing or shall I read it to you?

**MR. PETER SORUM:** I do not have it in writing, so...

**MS. KATHRYN ARANDA:** Okay, the Community Investment Act was originally created to ensure that at least a small portion of the funds deposited by residents and businesses of a particular neighborhood would be reinvested in the same neighborhood. The current bank reports on community reinvestment compliance indicated that the requirement is now being met on the basis of a bank service area, rather than a neighborhood, and the service area has been covered three to five six. The current regulatory practice and procedures, and this is the office of [unintelligible] supervision regulating federally chartered banks, uh, basically, make large scale investments in either subsidized housing or single family home mortgages fairly easy to document and fairly easy to then go, uh, meet their compliance requirements; however, small business lending, which was an important of the original, uh, Community Reinvestment Act has, I think, gotten short tricked over the last number of years. There are 11 banks in Waynesboro, all of them branches of larger banks, and the current CRA reports for almost all of those banks, and it was all I could grab on nine of them, indicate that their requirements are being met in Baltimore, Charlotte, Norfolk, [unintelligible] Forge, but not Waynesboro. As interstate and multinational banking is growing, the capital where it is essential to small businessman is being drained out of the communities where they are actually conducting their regular, normal business. While I believe that the national programs, like [inaudible] can guarantee loans, the other SBA programs are certainly important to small businesses, they're no substitute for the ability to consolidate capital and reinvest it locally, which is why the Community Investment

Act was passed in the first place.

Therefore, I recommend that these regulatory practices be refocused on the role of individual banks which would normally be branches of multi state or multi region banks, and in the neighborhoods they serve, and that the focus be on community impact, not meeting a national level set of criteria of, for example, less than a million dollars in gross revenue, because that doesn't really help anybody get local reinvestment back. I furthermore recommend that the CRA regulatory procedures be redesigned to capture small investment as easily as subsidized renter housing, multi family housing, and single parent mortgages [inaudible] and those are both very easy to document. Thank you.

**MR. PETER SORUM:** Thank you. Do we have a copy of that that we can, do you have a copy?

**MS. KATHRYN ARANDA:** You do now.

**MR. PETER SORUM:** Thank you very much.

**MS. KATHRYN ARANDA:** You're quite welcome.

**MR. PETER SORUM:** And you filled out a comment form?

**MS. KATHRYN ARANDA:** [inaudible]

**MR. PETER SORUM:** Thank you very much. Okay, do we have anybody else in the room who would like to present before we close this? Do we have any questions? If not, we thank you all for taking time out of your busy schedules to come over and share this afternoon with us. Remember, you can always get in touch with us online or by phone. Call 1-888-REGFAIR. Please do not call 800-REGFAIR because that gets a dentist who doesn't like me at all. Yes?

**FEMALE VOICE:** If you don't mind, I do have one question.

**MR. PETER SORUM:** Certainly.

**FEMALE VOICE:** Does the ombudsman to the office have any capacity to deal with systemic recurring problems in other than the regulatory deals with individual business. I'm thinking of the IRS comment that was made awhile back. Most late requirements are, in fact, due to deaths, divorces, and business failures, not negligence, laziness, and does that mean [unintelligible] appropriate role?

**MR. PETER SORUM:** Nina Olson, who is the taxpayer advocate, uh, is looking at that issue. I mean, her job is to get in and try and sort out how the tax code, and the way taxpayers are treated it more fair, um, and she makes recommendations to congress directly, and testifies on a regular basis, and I know that she has had that issue enough times since, uh, she came into her position that she is very concerned about it. Anyone else? Thank you all for coming.

**MR. RONALD E BEW:** Thank you.

**MR. PETER SORUM:** Thomas, you've still got time to go out and play at least nine.

[laughter]

[END TAPE 1 SIDE A]